

POWELL COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS AND REPORT OF AUDIT

For the Year Ended June 30, 2012

POWELL COUNTY SCHOOL DISTRICT

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For the Year Ended June 30, 2012

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POWELL COUNTY SCHOOL DISTRICT

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### **INDEPENDENT AUDITOR'S REPORT**

State Committee for School District Audits  
Members of Powell County Board of Education  
Stanton, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Powell County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Powell County School District as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012, on our consideration of Powell County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and on pages 41 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Powell County School District's financial statements as a whole. The combining and individual nonmajor fund financial statements and other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 5, 2012

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

As management of the Powell County School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. This information should be considered in conjunction with the accompanying financial statements and disclosure following this section.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance, including MMA accounts and fiduciary funds, for the District was \$1,746,336. The ending cash balance, including MMA accounts and fiduciary funds, for the District was \$2,080,194.
- Interest revenue totaled \$52,129 for the year ended and for the prior year the total interest revenue was \$49,617.
- The District's total long-term debt principal decreased by \$764,475. This includes SFCC participation.
- Total general fund revenue was \$1,703,908 consisting primarily of state program (SEEK), property, utilities and motor vehicle taxes. This total includes \$3,407,308 in state on behalf payments. Excluding transfers and state on behalf payments, total general fund expenditures were \$13,567,660.
- The District's current year financial statements reflects reductions in intergovernmental revenue primarily as a result of the end of the American Recovery and Reinvestment Act funding stream. Total federal revenues reflected in 2011 in the Special Revenue fund was \$4,159,604 as compared to \$2,915,785 in 2012.
- A \$4,660,606 High School Renovation/Addition project was approved by the Kentucky Division of Facilities Management after the end of the year. Fund resources include an SFCC bond sale of \$3,000,000; a local bond sale of \$1,380,000 and SFCC cash of \$280,606.

**OVERVIEW OF FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2012

**Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds include activity funds. Proprietary funds include the school food service, daycare and preschool funds. All other activities are reported under governmental funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2012

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2012, assets exceeded liabilities by \$7,167,733.

The greatest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and ongoing construction projects, where applicable), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net assets for the years ended June 30, 2012 and 2011**

Following are comparisons of net assets:

	At June 30,	
	2012	2011
Current Assets	2,585,096	2,219,475
Noncurrent Assets	15,445,205	16,133,179
<u>Total Assets</u>	<u>18,030,301</u>	<u>18,352,654</u>
Current Liabilities	1,885,682	1,541,561
Noncurrent Liabilities	8,976,886	9,769,044
<u>Total Liabilities</u>	<u>10,862,568</u>	<u>11,310,605</u>
Net Assets		
Investment in Capital Assets (net of debt)	5,421,626	5,323,213
Restricted	761,296	656,017
Unreserved Fund Balance	984,811	1,062,819
<u>Total Net Assets</u>	<u>7,167,733</u>	<u>7,042,049</u>
<u>Total Liabilities and Net Assets</u>	<u>18,030,301</u>	<u>18,352,654</u>



POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2012

- Current assets increase includes an increase in school food service cash, \$40,369.
- Noncurrent assets reflect \$962,709 in depreciation expense recognized for the general fund.
- Noncurrent liabilities reflect a reduction in long-term debt principal reductions of \$791,042.
- Restricted net assets include reserves from capital projects, debt service, food service, sick leave escrows and site-based carry-forward funds.

**Comments on budget comparisons**

The following table presents a comparison of budget to actual for the general fund for the fiscal year ended June 30, 2012:

	<u>Budget 2012</u>	<u>Actual 2012</u>	<u>Variance I/(D)</u>
Revenues:			
Local revenue sources	2,412,755	2,555,570	142,815
State revenue sources	<u>11,066,516</u>	<u>14,475,338</u>	<u>3,408,822</u>
<u>Total revenues</u>	<u>13,479,271</u>	<u>17,030,908</u>	<u>3,551,637</u>
Expenses:			
Instruction	8,064,129	10,465,584	2,401,455
Student support services	517,070	617,834	100,764
Instructional support	556,608	670,071	113,463
District administration	942,516	1,061,504	118,988
School administration	911,355	1,097,000	185,645
Business support services	194,125	297,893	103,768
Plant operations and management	1,750,988	1,731,104	(19,884)
Student transportation	987,576	1,033,978	46,402
Contingencies	<u>585,730</u>	<u>-</u>	<u>(585,730)</u>
<u>Total expenses</u>	<u>14,510,097</u>	<u>16,974,968</u>	<u>2,464,871</u>
<u>Excess (deficiency) of revenue over expense</u>	<u>(1,030,826)</u>	<u>55,940</u>	<u>1,086,766</u>

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2012

- Actual state revenue sources and expenditures reflect state on behalf payments totaling \$3,407,308.
- Local revenue sources were \$15,298 greater than budgeted local revenue.

The following table presents a comparison of government wide revenue and expense for the fiscal years ended June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Revenues:		
Local revenue sources	3,171,895	2,958,405
State revenue sources	16,625,502	15,935,000
Federal revenue	<u>3,951,267</u>	<u>5,531,366</u>
<u>Total revenues</u>	<u>23,748,664</u>	<u>24,424,771</u>
Expenses:		
Instruction	13,554,092	15,008,055
Student support services	683,739	558,849
Instructional support	1,287,859	1,229,206
District administration	1,322,269	1,259,632
School administration	1,279,202	1,229,844
Business support services	300,373	223,422
Plant operations and management	1,744,024	1,828,440
Student transportation	1,302,397	1,217,595
Food services operation	1,518,138	1,327,948
Community services operations	312,987	308,304
Building Improvements	-	-
Interest on long-term debt	<u>317,900</u>	<u>314,381</u>
<u>Total expenses</u>	<u>23,622,980</u>	<u>24,505,676</u>
<u>Excess (Deficiency) of revenue over expense</u>	<u>125,684</u>	<u>(80,905)</u>

POWELL COUNTY SCHOOL DISTRICT  
STANTON, KENTUCKY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended June 30, 2012

- Federal revenue resources decreased \$1,580,099 from fiscal year ended 2011 to fiscal year ended 2012 primarily due to the end of the American Recovery and Reinvestment Act funding stream.
- Revenue sources include local property and utility taxes, interest revenue, food service revenue and local, state and federal grant funding resources.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$585,730 in contingency (4.00%).

Questions regarding this report should be directed to the Superintendent or the Finance Officer at (606) 663-3300.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

At June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
- Current Assets -			
Cash and cash equivalents	1,355,996	337,660	1,693,656
Investments	244,197	-	244,197
Accounts receivable:			
Taxes - current	83,326	-	83,326
Taxes - delinquent	20,120	-	20,120
Other	9,287	-	9,287
Intergovernmental - indirect Federal	486,366	7,378	493,744
Inventories	-	40,766	40,766
	<u>2,199,292</u>	<u>385,804</u>	<u>2,585,096</u>
<u>Total current assets</u>			
- Noncurrent Assets -			
Capital assets	30,626,986	546,337	31,173,323
Less: accumulated depreciation	<u>(15,290,570)</u>	<u>(437,548)</u>	<u>(15,728,118)</u>
	<u>15,336,416</u>	<u>108,789</u>	<u>15,445,205</u>
<u>Total noncurrent assets</u>			
	<u>17,535,708</u>	<u>494,593</u>	<u>18,030,301</u>
<u>Total assets</u>			
<b>Liabilities:</b>			
- Current liabilities -			
Accounts payable	594,809	325	595,134
Deferred revenues	186,615	-	186,615
Current portion of bond/lease obligations	791,042	-	791,042
Interest payable	<u>312,891</u>	<u>-</u>	<u>312,891</u>
	<u>1,885,357</u>	<u>325</u>	<u>1,885,682</u>
Total current liabilities			
- Noncurrent liabilities -			
Noncurrent portion of long-term debt	8,919,646	-	8,919,646
Unamortized premium on bonds payable	<u>57,240</u>	<u>-</u>	<u>57,240</u>
	<u>8,976,886</u>	<u>-</u>	<u>8,976,886</u>
Total noncurrent liabilities			
	<u>10,862,243</u>	<u>325</u>	<u>10,862,568</u>
Total liabilities			
<b>Net assets:</b>			
Invested in capital assets, net of related debt	5,312,837	108,789	5,421,626
Restricted for:			
Capital projects	260,543	-	260,543
Other	115,274	385,479	500,753
Unrestricted	<u>984,811</u>	<u>-</u>	<u>984,811</u>
	<u>6,673,465</u>	<u>494,268</u>	<u>7,167,733</u>
Total net assets			
	<u>17,535,708</u>	<u>494,593</u>	<u>18,030,301</u>
Total liabilities and net assets			

See notes to financial statements.

10.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

		Program Revenues		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions
	<u>Expenses</u>			
<b>FUNCTIONS/PROGRAMS:</b>				
- Governmental Activities -				
Instruction	13,554,092	-	5,130,093	-
Support services:				
Student	683,739	-	196,497	-
Instructional staff	1,287,859	-	748,353	-
District administration	1,322,269	-	276,884	-
School administration	1,279,202	-	415,000	-
Business support	300,373	-	17,355	-
Plant operation & management	1,744,024	-	24,025	-
Student transportation	1,302,397	-	219,779	-
Community services operations	312,987	-	403,176	-
Interest on long-term debt	317,900	-	-	-
<b><u>Total governmental activities</u></b>	<u>22,104,842</u>	<u>-</u>	<u>7,431,162</u>	<u>-</u>
- Business-type Activities -				
Food service	1,518,138	325,363	1,226,110	-
<b><u>Total business-type activities</u></b>	<u>1,518,138</u>	<u>325,363</u>	<u>1,226,110</u>	<u>-</u>
<b><u>Total primary government</u></b>	<u>23,622,980</u>	<u>325,363</u>	<u>8,657,272</u>	<u>-</u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF ACTIVITIES (continued)For the Year Ended June 30, 2012

	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
	(8,423,999)	-	(8,423,999)
	(487,242)	-	(487,242)
	(539,506)	-	(539,506)
	(1,045,385)	-	(1,045,385)
	(864,202)	-	(864,202)
	(283,018)	-	(283,018)
	(1,719,999)	-	(1,719,999)
	(1,082,618)	-	(1,082,618)
	90,189	-	90,189
	<u>(317,900)</u>	<u>-</u>	<u>(317,900)</u>
	<u>(14,673,680)</u>	<u>-</u>	<u>(14,673,680)</u>
	<u>-</u>	<u>33,335</u>	<u>33,335</u>
	<u>-</u>	<u>33,335</u>	<u>33,335</u>
	<u>(14,673,680)</u>	<u>33,335</u>	<u>(14,640,345)</u>
<b>General revenues:</b>			
Taxes	2,666,455	-	2,666,455
Investment earnings	43,420	8,709	52,129
State and formula grants	11,919,497	-	11,919,497
Miscellaneous	<u>127,948</u>	<u>-</u>	<u>127,948</u>
<b><u>Total general revenues</u></b>	<u>14,757,320</u>	<u>8,709</u>	<u>14,766,029</u>
Change in net assets	83,640	42,044	125,684
Net assets - beginning	<u>6,589,825</u>	<u>452,224</u>	<u>7,042,049</u>
Net assets - ending	<u><u>6,673,465</u></u>	<u><u>494,268</u></u>	<u><u>7,167,733</u></u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS

At June 30, 2012

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>Assets and resources:</b>				
Cash and cash equivalents	1,087,480	-	268,516	1,355,996
Investments	244,197	-	-	244,197
Accounts receivable:				
Taxes - current	83,326	-	-	83,326
Taxes - delinquent	20,120	-	-	20,120
Other	9,287	-	-	9,287
Intergovernmental - Indirect Federal	-	486,366	-	486,366
<u>Total assets and resources</u>	<u>1,444,410</u>	<u>486,366</u>	<u>268,516</u>	<u>2,199,292</u>
<b>Liabilities and fund balances:</b>				
Cash deficit	-	284,637	-	284,637
Accounts payable	287,085	15,114	7,973	310,172
Deferred revenue	-	186,615	-	186,615
<u>Total liabilities</u>	<u>287,085</u>	<u>486,366</u>	<u>7,973</u>	<u>781,424</u>
<b>Fund balances</b>				
Restricted - sick leave	66,115	-	-	66,115
Committed - site based carryforward	49,159	-	-	49,159
Restricted for future construction/outlay	-	-	260,543	260,543
Unassigned fund balance	1,042,051	-	-	1,042,051
<u>Total fund balances</u>	<u>1,157,325</u>	<u>-</u>	<u>260,543</u>	<u>1,417,868</u>
<u>Total liabilities and fund balances</u>	<u>1,444,410</u>	<u>486,366</u>	<u>268,516</u>	<u>2,199,292</u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET –  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETSAt June 30, 2012

Total fund balance per fund financial statements	1,417,868
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but are reported in the statement of net assets.	15,336,416
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Certain liabilities (such as bonds payable, premiums and discounts on bonds and accrued interest) are not reported in this fund financial statement because they are not due and payable, but are presented in the statement of net assets.	<u>(10,080,819)</u>
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Net assets for governmental activities	<u><u>6,673,465</u></u>
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See notes to financial statements.



POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Other Gov't Funds</u>	<u>Total Gov't Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes	2,414,293	-	252,162	2,666,455
Earnings on investments	40,701	2,719	-	43,420
Other local revenue	100,576	27,372	-	127,948
Intergovernmental - state	11,068,030	1,034,723	924,813	13,027,566
Intergovernmental - indirect federal	-	2,915,785	-	2,915,785
On-behalf payments	<u>3,407,308</u>	<u>-</u>	<u>-</u>	<u>3,407,308</u>
 <b><u>Total revenues</u></b>	 <u>17,030,908</u>	 <u>3,980,599</u>	 <u>1,176,975</u>	 <u>22,188,482</u>
 <b>Expenditures:</b>				
Instructional	10,465,584	2,581,092	-	13,046,676
Student support services	617,834	65,018	-	682,852
Staff support services	670,071	615,628	-	1,285,699
District administration	1,061,504	141,148	108,869	1,311,521
School administration	1,097,000	181,270	-	1,278,270
Business support	297,893	-	-	297,893
Plant operations and management	1,731,104	-	-	1,731,104
Student transportation	1,033,978	127,237	-	1,161,215
Community service activities	-	312,462	-	312,462
Debt service:				
Principal	-	-	764,475	764,475
Interest	<u>-</u>	<u>-</u>	<u>346,510</u>	<u>346,510</u>
 <b><u>Total expenditures</u></b>	 <u>16,974,968</u>	 <u>4,023,855</u>	 <u>1,219,854</u>	 <u>22,218,677</u>
 Excess (deficit) of revenues over expenditures	 <u>55,940</u>	 <u>(43,256)</u>	 <u>(42,879)</u>	 <u>(30,195)</u>
 <b>Other financing sources (uses):</b>				
Operating transfers in	60,382	43,256	1,194,707	1,298,345
Operating transfers out	<u>(135,877)</u>	<u>-</u>	<u>(1,162,468)</u>	<u>(1,298,345)</u>
 <b><u>Total other financing sources (uses)</u></b>	 <u>(75,495)</u>	 <u>43,256</u>	 <u>32,239</u>	 <u>-</u>
 Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	 (19,555)	 -	 (10,640)	 (30,195)
 <b>Fund balance - July 1, 2011</b>	 <u>1,176,880</u>	 <u>-</u>	 <u>271,183</u>	 <u>1,448,063</u>
 <b>Fund balance - June 30, 2012</b>	 <u>1,157,325</u>	 <u>-</u>	 <u>260,543</u>	 <u>1,417,868</u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIESFor the Year Ended June 30, 2012

Net change in total fund balances per fund financial statements	(30,195)
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Amounts reported for governmental activities in the statement of activities differences:

Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources, but are presented as assets in the statement of activities and depreciated over their estimated useful economic lives. Retirement of assets reflect gain or loss on prior depreciation in the statement of activities. The net difference is the amount of depreciation and gain/loss in excess of capital outlay expenditures.	(679,250)
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Interest expense on long-term debt is recognized in the fund financial statements when paid and accrued in the government wide financial statements of activities.	28,610
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Bond principal payments are recognized as expenditures of current financial resources in the fund financial statements but are reductions of liabilities in the statement of net assets.	<u>764,475</u>
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Change in net assets of governmental activities	<u><u>83,640</u></u>
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See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS – PROPRIETARY FUND

At June 30, 2012

	<u>Food Service Fund</u>
<b>Assets:</b>	
- Current Assets -	
Cash and cash equivalents	337,660
Accounts receivable:	
Intergovernmental - indirect Federal	7,378
Inventories	<u>40,766</u>
<u>Total current assets</u>	<u>385,804</u>
- Noncurrent Assets -	
Capital assets	546,337
Less: accumulated depreciation	<u>(437,548)</u>
<u>Total noncurrent assets</u>	<u>108,789</u>
<u>Total assets</u>	<u><u>494,593</u></u>
<b>Liabilities:</b>	
- Current Liabilities -	
Accounts payable	<u>325</u>
<u>Total current liabilities</u>	<u>325</u>
<b>Net assets:</b>	
Investments in capital assets	108,789
Nonspendable Inventories	40,766
Restricted net assets	<u>344,713</u>
<u>Total net assets</u>	<u>494,268</u>
<u>Total liabilities and net assets</u>	<u><u>494,593</u></u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS – PROPRIETARY FUNDFor the Year Ended June 30, 2012

	<u>Food service Fund</u>
<b>Operating revenues:</b>	
Lunchroom sales	325,363
Federal grants	1,035,482
State grants	14,748
Donated commodities	75,997
State on-behalf payments	<u>99,883</u>
<u>Total operating revenues</u>	<u>1,551,473</u>
<b>Operating expense:</b>	
Salaries and wages	650,739
Contract services	32,481
Materials and supplies	807,906
Depreciation	25,856
Other operating expenses	<u>1,156</u>
<u>Total operating expenses</u>	<u>1,518,138</u>
<u>Operating income (loss)</u>	<u>33,335</u>
<b>Nonoperating Revenue/(Expense):</b>	
Interest income	<u>8,709</u>
<u>Total nonoperating revenue/(expense)</u>	<u>8,709</u>
<u>Net income (loss)</u>	42,044
Net assets, July 1, 2011	<u>452,224</u>
Net assets, June 30, 2012	<u><u>494,268</u></u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

For the Year Ended June 30, 2012

	<u>Food service Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from:	
Lunchroom sales	325,363
Federal and state grants	1,043,776
Cash paid to/for:	
Employees	(550,856)
Supplies/Contractual	(768,335)
Other activities	<u>(1,156)</u>
 <u>Net cash provided (used) by operating activities</u>	 <u>48,792</u>
 <b>Cash flows from capital and related financing activities:</b>	
Purchases of capital assets	<u>(17,132)</u>
 <b>Cash flows from investing activities:</b>	
Interest income	<u>8,709</u>
 <b>Cash flows from financing activities:</b>	 <u>-</u>
 Net increase (decrease) in cash	40,369
 Cash, beginning of year	<u>297,291</u>
 Cash, end of year	<u><u>337,660</u></u>
 <b>Reconciliation of operating income (loss) to net cash provided (used) by operations:</b>	
Operating income (loss)	33,335
Adjustments to reconcile operating income to cash provided (used) by operating activities:	
Depreciation	25,856
Changes in current assets/liabilities:	
Accounts receivable	(6,454)
Inventory	(4,267)
Accounts payable	<u>322</u>
 Net cash provided (used) by operating activities	 <u><u>48,792</u></u>

Note – Non-cash transactions include State on-behalf payments of \$99,883 and donated commodities of \$75,997.

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

At June 30, 2012

	<u>Activity Funds</u>	<u>Scholarship Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	<u>240,672</u>	<u>186,306</u>	<u>426,978</u>
<u>Total assets</u>	<u>240,672</u>	<u>186,306</u>	<u>426,978</u>
<b>Liabilities:</b>			
Due to individual student activity account funds	<u>240,672</u>	<u>-</u>	<u>240,672</u>
<u>Total liabilities</u>	<u>240,672</u>	<u>-</u>	<u>240,672</u>
<b>Net assets:</b>			
Permanently restricted	-	167,803	167,803
Restricted - other spendable	<u>-</u>	<u>18,503</u>	<u>18,503</u>
<u>Total net assets</u>	<u>-</u>	<u>186,306</u>	<u>186,306</u>
<u>Total liabilities and net assets</u>	<u>240,672</u>	<u>186,306</u>	<u>426,978</u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET ASSETSFor the Year Ended June 30, 2012

	<u>Scholarship Fund</u>
Additions:	
Interest Income	7,563
Deductions:	
Scholarship payments	<u>6,000</u>
Change in net assets	1,563
Net assets, beginning of year	<u>184,743</u>
Net assets, end of year	<u><u>186,306</u></u>

See notes to financial statements.

POWELL COUNTY SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Powell County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Powell County School District (District). The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding sources entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence, operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Powell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment or the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Powell County School District Finance Corporation – The Powell County, Kentucky, Board of Education resolved to authorize the establishment of the Powell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Powell County Board of Education also comprise the Corporations’ Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.



POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The proprietary funds are accounted for using GASB standards as well as standards issued by the FASB through November 1989 and that do not conflict with GASB Standards. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue Grant Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).
  - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
  - 2. The Facility Support Program of Kentucky Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Presentation (continued)II. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of commodities from the USDA. The School Food Service Fund is a major fund.

III. Fiduciary Fund Types (includes agency and trust funds)

The Activity Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Accounting Procedures for Kentucky School Activity Funds.

The Herbert and Hattie Profitt scholarship fund is a permanent type endowment fund. The interest earned is used for scholarships to Powell County High School students.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements,

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Basis of Accounting (continued)

in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and change in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2011, to finance the General Fund operations were \$.348 per \$100 valuation for real property, \$.348 per \$100 valuation for business personal property and \$.502 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers and real property for which there is no threshold through fiscal year ended June 30, 2012. Beginning July 1, 2012, the District capitalization threshold policies were changed to five thousand dollars for equipment, furniture and fixtures. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past five years' experience of making termination payments.

Compensated absence liabilities are recorded based on balances for classified and certified employees with twenty-seven or more years of experience at June 30, 2012.

The District has set aside a board approved reserve in the amount of \$66,115 for accumulated sick leave.

Budgetary Process

**Budgetary Basis of Accounting:** The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with and original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE A – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the bank balance of the District's cash and cash equivalents was \$2,912,164 and the book balance was \$2,080,194. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or that the District may not recover collateral securities. The District requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). At June 30, 2012 the District's cash and cash equivalents were insured by FDIC in the amount of \$250,000 for all interest bearing accounts. Non-interest bearing account balances have unlimited coverage under current FDIC guidelines through December 31, 2012. The balance of cash was collateralized with securities held in the financial institution's name and pledged to the District. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District does not retain any long-term investments. Concentrations of credit risk are the risk of loss attributed to the magnitude of the District's investments in a single issuer. All of the organization's cash is held at a local financial institution. Foreign currency risk is the risk of changes in exchange rates affecting foreign investments. The District does not hold any foreign investments.

The funds of the District are deposited and invested under the terms of a contract, contents of which are set out in the bond of depositors for public school funds. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.



POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE C – CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents at June 30, 2012 consisted of the following:

	<u>Book Balance</u>	<u>Bank Balance</u>
<u>Whitaker Bank:</u>		
General Checking Account	1,427,522	2,248,773
Revolving Fund	-	492
MMDA Account	244,197	244,197
Certificate of Deposit	167,803	167,803
Bowen Elementary Activity	16,866	16,867
Clay City Elementary Activity	20,645	20,645
Powell County High School Activity	113,098	122,960
Powell County Middle School Activity	61,282	61,374
Stanton Elementary Activity	<u>28,781</u>	<u>29,053</u>
<u>Total</u>	<u>2,080,194</u>	<u>2,912,164</u>

The MMDA Account is listed as “investments” on the MUNIS annual financial report.

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT

The original amount of each issue, the issue date and interest rates are summarized as follows:

<u>Issue Date</u>	<u>Original Proceeds</u>	<u>Rates</u>
Refunding Issue 2002	2,465,000	2.50% - 3.90%
August 2006	3,290,000	3.65% - 4.20%
2nd Series of 2008	1,275,000	3.35% - 4.40%
KISTA 2008 Series	601,776	2.40% - 4.00%
KISTA 2009 R	75,416	1.00% - 3.30%
Refunding Issue 2010	4,050,000	1.50% - 3.00%

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)**

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Powell County Fiscal Court and the School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are as follows:

Year	Powell County School District		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2012 - 13	655,682	242,610	135,360	70,281	1,103,933
2013 - 14	667,993	223,751	139,639	66,036	1,097,419
2014 - 15	690,166	203,827	144,079	61,584	1,099,656
2015 - 16	706,279	182,859	148,818	56,941	1,094,897
2016 - 17	718,917	161,040	143,829	42,591	1,066,377
Thereafter	<u>4,239,652</u>	<u>769,166</u>	<u>1,320,275</u>	<u>253,127</u>	<u>6,582,220</u>
<u>Totals</u>	<u>7,678,689</u>	<u>1,783,253</u>	<u>2,032,000</u>	<u>550,560</u>	<u>12,044,502</u>

Following are changes in long-term debt:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
2002 Refunding Series	1,735,000	-	(265,000)	1,470,000
2006 Series	3,020,000	-	(75,000)	2,945,000
2008 2nd Series	1,215,000	-	(35,000)	1,180,000
2008 KISTA	415,512	-	(57,312)	358,200
2009 KISTA R	64,652	-	(7,163)	57,489
2010 Refunding Series	<u>4,025,000</u>	<u>-</u>	<u>(325,000)</u>	<u>3,700,000</u>
<u>Total</u>	<u>10,475,164</u>	<u>-</u>	<u>(764,475)</u>	<u>9,710,689</u>

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

NOTE D – LEASE OBLIGATIONS AND BONDED DEBT (continued)

The District acquired two Dodge Ram trucks, series 2500 and series 3500 during the fiscal year. Financing was obtained through Peoples Exchange Bank. The total principal amount of the loan was \$57,500, payable in 36 monthly installments of \$1,708.64 each beginning April 10, 2010 with an interest rate of 4.375%. The note balance at June 30, 2012 was \$11,750.

NOTE E – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Governmental Activities</u>				
Land	370,539	-	-	370,539
Land improvements	1,067,294	-	-	1,067,294
Buildings and improvements	23,648,786	-	-	23,648,786
Technology equipment	2,358,961	326,975	252,908	2,433,028
Vehicles	2,439,213	-	144,492	2,294,721
General equipment	825,970	46,990	60,342	812,618
<u>Totals at historical cost</u>	<u>30,710,763</u>	<u>373,965</u>	<u>457,742</u>	<u>30,626,986</u>
<u>Governmental Activities</u>				
Less: accumulated depreciation				
Land improvements	970,857	17,486	-	988,343
Buildings and improvements	9,680,284	546,070	-	10,226,354
Technology equipment	1,874,746	-	22,689	1,852,057
Vehicles	1,639,340	-	5,391	1,633,949
General equipment	616,970	-	27,103	589,867
<u>Total accumulated depreciation</u>	<u>14,782,197</u>	<u>563,556</u>	<u>55,183</u>	<u>15,290,570</u>
Governmental Activities				
<u>Capital Assets - Net</u>	<u>15,928,566</u>	<u>(189,591)</u>	<u>402,559</u>	<u>15,336,416</u>

## POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE E – CAPITAL ASSETS (continued)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Business-Type Activities</u>				
Food service equipment	511,814	17,132	-	528,946
Vehicles	8,800	-	-	8,800
Technology equipment	8,591	-	-	8,591
<u>Totals at historical cost</u>	<u>529,205</u>	<u>17,132</u>	<u>-</u>	<u>546,337</u>
Less: accumulated depreciation				
Food service and equipment	406,081	22,557	-	428,638
Vehicles	1,906	1,759	-	3,665
Technology equipment	3,705	1,540	-	5,245
<u>Total accumulated depreciation</u>	<u>411,692</u>	<u>25,856</u>	<u>-</u>	<u>437,548</u>
Business-Type Activities				
<u>Capital Assets - Net</u>	<u>117,513</u>	<u>(8,724)</u>	<u>-</u>	<u>108,789</u>

Depreciation expense was allocated to governmental functions as follows:

Instructional	790,875
Student support service	887
Instructional staff support	2,160
District administration	10,748
School administration	932
Business support	2,480
Plant operations and maintenance	12,920
Student transportation	141,182
Community services	525
Total deprecation expense - Government functions	<u>962,709</u>

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2012

**NOTE F – COMMITMENTS UNDER NONCAPITALIZED LEASES**

Commitments under operating lease agreements provided by the District for equipment provide the minimum future rental payments as of June 30, 2012, as follows:

2012 - 13	46,508
2013 - 14	35,174
2014 - 15	21,604
2015 - 16	13,941
2016 - 17	10,313
and thereafter	-
<u>Total</u>	<u>127,540</u>

**NOTE G – RETIREMENT PLANS**

Kentucky Teachers Retirement System:

**Pension Plan**

*Plan Description* – The Powell County School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601 or from the KTRS web site at <http://ktrs.ky.gov/>.

*Funding Policy* – Contribution rates are established by KRS. Members are required to contribute 10.355% of their salaries to KTRS and 10.855% if hired on or after July 1, 2008. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July 1, 2008. The federal program for any salaries paid by that program pays the matching contribution of 13.605% for members hired before July 1, 2008 and 14.105% for those hired after that date.

**Medical Insurance Plan**

*Plan Description* – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide post-retirement healthcare benefits to eligible members and dependents. The KTRS Medical insurance benefits is a cost-sharing

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE G – RETIREMENT PLANS (continued)

multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding Policy* –In order to fund the post-retirement healthcare benefit, two and one-half percent (2.5%) of the gross annual payroll of members before July 1, 2008 is contributed. One percent (1%) is paid by member contributions and .75% from state appropriation and .50% from the employer. Members after July 1, 2008 contribute an additional .50% to the Medical Insurance fund. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Powell County School District's total payroll for the year was \$13,252,551. The payroll for employees covered under KTRS was \$9,864,185. For the year ended June 30, 2012, the Commonwealth contributed \$1,134,860 to KTRS for the benefit of the District's participating employees. The School District's contributions to KTRS for the year ending June 30, 2012 were \$171,621, which represents those employees covered by federal programs.

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System (CERS), a cost sharing, multiple-employer, public employers retirement system. Funding for the plan is provided through payroll withholdings of 5.00% except for new hires on or after September 1, 2008 with payroll withholding of 6.00% and a district contribution of 18.96% of the employee's total compensation subject to contributions. Total payroll for employee's covered under CERS was \$3,307,173.

The contribution requirement for CERS for the year ended June 30, 2012 was \$688,840, which consisted of \$542,030 from the District and \$146,810 from the employees.

Following is a summary of contributions paid by the District and State on-behalf of the employees for the past three years:

<u>Year Ended</u> <u>June 30,</u>	<u>Teacher's Retirement</u>		<u>County</u> <u>Retirement</u>
	<u>District</u>	<u>State</u>	
2012	171,621	1,134,860	542,030
2011	198,526	1,186,443	543,425
2010	198,164	1,181,684	515,232

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE G – RETIREMENT PLANS (continued)

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to-date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following table presents certain information regarding the plans’ status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS as of June 30, 2011 (in millions of dollars)	CERS as of June 30, 2011 (in millions of dollars)
Actuarial accrued liabilities	25,968.7	11,777.1
Actuarial value of assets	<u>14,908.1</u>	<u>7,409.2</u>
Unfunded (overfunded) actuarial accrued liabilities	<u>11,060.6</u>	<u>4,367.9</u>

Historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2011 comprehensive annual financial reports.

As the Board is only one of several employers participating in the plan, it is not practical to determine the Board’s portion of the unfunded past service cost or the vested benefits of the Board’s portion of the plan assets.

NOTE H – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor’s review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE I – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes worker's compensation insurance.

NOTE J – LITIGATION

The District is subject to legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate a material effect on the combined financial statements as a result of threatened, pending or ongoing litigation.

NOTE K – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for worker's compensation, errors and omissions, educator's legal liability, property (other than vehicles) and general liability, the District participates in the Kentucky School Board Insurance Trust Liability Fund. These public entity risk pools operate as common risk management and insurance programs for school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims, experience modifications and a group discount amount.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – DEFICIT OPERATING/FUND BALANCES

The following funds had deficit balances at June 30, 2012:

None

The following funds had expenditures in excess of revenues at June 30, 2012:

Stanton Elementary Activity Fund	7,608
Clay City Elementary Activity Fund	1,302
Special Revenue Fund	43,256



POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school District at risk for a substantial loss (contingency).

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital Outlay	General Fund	Operating Expenditures	60,382
Capital Outlay	Construction Fund	Construction Project 8012	97,729
Capital Outlay	Construction Fund	Construction Project 8012	182,877
Capital Outlay	Debt Service	Bond principal and interest	58,167
FSPK	Debt Service	Bond principal and interest	763,314
General Fund	Debt Service	Bond principal and interest	92,620
General Fund	Special Revenue Fund	KETS match first offer	25,954
General Fund	Special Revenue Fund	KETS match second offer	17,302
Total Transfers			<u>1,298,345</u>

NOTE O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2012 were as follows:

None

POWELL COUNTY SCHOOL DISTRICTNOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)June 30, 2012NOTE P – ANNUAL FINANCIAL REPORT DIFFERENCES

The following is a reconciliation of the June 30, 2012, fund balances/retained earnings originally reported by the Board to the Kentucky Department of Education with that shown in the accompanying fund financial statements:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Food Service Fund</u>	<u>Trust Fund</u>
Fund Balance/Retained Earnings as originally reported to the Department of Education	1,135,330	-	260,543	379,592	186,306
Adjustment to Fund Balance/Retained Earnings					
(1) To record additional accounts receivable	21,995	-	-	5,887	-
(2) To record net fixed assets	-	-	-	108,789	-
Fund Balance/Retained Earnings per fund financial statements at June 30, 2012	<u>1,157,325</u>	<u>-</u>	<u>260,543</u>	<u>494,268</u>	<u>186,306</u>

NOTE Q – ON-BEHALF PAYMENTS

The following payments made by the state on behalf of employees of the District and for the benefit of the District are recognized in the government-wide financial statements as additional revenue and expenditures for the year ended June 30, 2012:

Kentucky Teacher's Retirement System	1,177,938
Health Insurance	2,375,785
Health Reimbursement Account	159,419
Life Insurance	5,820
Administrative Fees	27,456
Technology	63,616
Less: Federal Reimbursements	<u>(302,843)</u>
<u>Total</u>	<u>3,507,191</u>
Allocated to:	
General Fund	3,407,308
School Food Service Fund	<u>99,883</u>
<u>Total</u>	<u>3,507,191</u>

POWELL COUNTY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) - REVISED

June 30, 2012

**NOTE R – FUND BALANCE REPORTING**

The District implemented Governmental Accounting Standards Board No. 54, Fund Balance Reporting and Governmental Fund Type Definitions effective for the fiscal year ended June 30, 2011. This standard clarifies existing governmental fund type definitions and establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Classifications include *nonspendable*, examples being prepaid items and inventory, and the following spendable fund balances – *restricted* - fund balances that are constrained by external parties, constitutional provisions or enabling legislation, *committed* - fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, *assigned* – fund balances that contain self-imposed constraints of the government to be used for a particular purpose and *unassigned* – fund balance of the general fund that is not constrained for any particular purpose. The standard affects fund balance reporting only and does not affect government-wide or proprietary fund financial statements.

The following schedule reflects governmental fund balances at June 30, 2012:

<b>Fund balances</b>	General Fund	Non-major Funds	Total
Restricted - sick leave	66,115	-	66,115
Committed - site based carryforward	49,159	-	49,159
Restricted for future construction/outlay	-	260,543	260,543
Unassigned fund balance	<u>1,042,050</u>	<u>-</u>	<u>1,042,050</u>
 <u>Total fund balances</u>	 <u>1,157,324</u>	 <u>260,543</u>	 <u>1,417,867</u>

The District's budget by State law must have a minimum 2% contingency. However, a separate contingency reserves fund has not been established. The statement of net assets reflects reserves for fixed assets and school food service inventory.

**NOTE S – COMMITMENTS**

A \$4,606,006 High School Renovation/Addition project was approved by the Kentucky Division of Facilities Management after the end of the year. Fund resources include an SFCC bond sale of \$3,000,000; a local bond sale of \$1,380,000 and SFCC cash of \$280,606.

POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
<b>Revenues:</b>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
From local sources:				
Taxes	2,151,500	2,292,477	2,414,293	121,816
Earnings on investments	35,000	35,000	40,701	5,701
Other local revenue	92,000	85,278	100,576	15,298
Intergovernmental - state	11,454,457	11,066,516	11,068,030	1,514
Revenue for on behalf payments	<u>-</u>	<u>-</u>	<u>3,407,308</u>	<u>3,407,308</u>
 <b><u>Total revenues</u></b>	 <u>13,732,957</u>	 <u>13,479,271</u>	 <u>17,030,908</u>	 <u>3,551,637</u>
 <b>Expenditures:</b>				
Instructional	8,498,847	8,064,129	10,465,584	(2,401,455)
Student support services	463,841	517,070	617,834	(100,764)
Staff support services	608,294	556,608	670,071	(113,463)
District administration	946,245	942,516	1,061,504	(118,988)
School administration	809,720	911,355	1,097,000	(185,645)
Business support	178,632	194,125	297,893	(103,768)
Plant operations and management	1,738,621	1,750,988	1,731,104	19,884
Student transportation	999,909	987,576	1,033,978	(46,402)
Contingencies	<u>542,070</u>	<u>585,730</u>	<u>-</u>	<u>585,730</u>
 <b><u>Total expenditures</u></b>	 <u>14,786,179</u>	 <u>14,510,097</u>	 <u>16,974,968</u>	 <u>(2,464,871)</u>
 Excess (deficit) of revenues over expenditures	 <u>(1,053,222)</u>	 <u>(1,030,826)</u>	 <u>55,940</u>	 <u>1,086,766</u>
 <b>Other financing sources (uses):</b>				
Operating transfers in	-	60,382	60,382	-
Operating transfers out	<u>(140,621)</u>	<u>(140,621)</u>	<u>(135,877)</u>	<u>4,744</u>
 <b><u>Total other financing sources (uses)</u></b>	 <u>(140,621)</u>	 <u>(80,239)</u>	 <u>(75,495)</u>	 <u>4,744</u>
 Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	 <u>(1,193,843)</u>	 <u>(1,111,065)</u>	 <u>(19,555)</u>	 <u>1,091,510</u>
 <b>Fund balance - July 1, 2011</b>	 <u>1,193,843</u>	 <u>1,111,065</u>	 <u>1,110,765</u>	 <u>(300)</u>
 <b>Fund balance - June 30, 2012</b>	 <u><u>-</u></u>	 <u><u>-</u></u>	 <u><u>1,091,210</u></u>	 <u><u>1,091,210</u></u>

Notes:

Beginning and ending fund balance do not reflect \$66,115 restricted for sick leave payable.

Revenue and expense related to state on-behalf payments are not budgeted.

See notes to financial statements and independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL REVENUE FUNDS**

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
<b>Revenues:</b>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
From local sources:				
Earnings on investments	-	2,719	2,719	-
Contributions/donations	-	30,291	27,372	(2,919)
Intergovernmental - state	-	1,006,949	1,034,723	27,774
Intergovernmental - indirect federal	-	2,020,139	2,915,785	895,646
<b><u>Total revenues</u></b>	-	3,060,098	3,980,599	920,501
<b>Expenditures:</b>				
Instructional	-	2,029,331	2,581,092	(551,761)
Student support services	-	58,636	65,018	(6,382)
Staff support services	-	401,853	615,628	(213,775)
District administration	-	148,627	141,148	7,479
School administration	-	25,023	181,270	(156,247)
Student transportation	-	124,544	127,237	(2,693)
Community service activities	-	315,340	312,462	2,878
<b><u>Total expenditures</u></b>	-	3,103,354	4,023,855	(920,501)
Excess (deficit) of revenues over expenditures	-	(43,256)	(43,256)	-
<b>Other financing sources (uses):</b>				
Operating transfers in	-	43,256	43,256	-
Operating transfers out	-	-	-	-
<b><u>Total other financing sources (uses)</u></b>	-	43,256	43,256	-
Excess (deficit) of revenue and other financing sources over expenditures/other financing uses	-	-	-	-
<b>Fund balance - July 1, 2011</b>	-	-	-	-
<b>Fund balance - June 30, 2012</b>	-	-	-	-

See notes to financial statements and independent auditors's report.

POWELL COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

At June 30, 2012

	<u>SEEK Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Construction Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
<b>Asset and resources:</b>					
Cash and cash equivalents	<u>-</u>	<u>1,001</u>	<u>267,515</u>	<u>-</u>	<u>268,516</u>
<b>Liabilities and fund balances:</b>					
- Liabilities -					
Accounts payable	<u>-</u>	<u>-</u>	<u>7,973</u>	<u>-</u>	<u>7,973</u>
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>7,973</u>	<u>-</u>	<u>7,973</u>
- Fund balances -					
Restricted for KFSCC escrow	<u>-</u>	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>1,001</u>
Restricted - future construction	<u>-</u>	<u>-</u>	<u>259,542</u>	<u>-</u>	<u>259,542</u>
<b>Total fund balances</b>	<u>-</u>	<u>1,001</u>	<u>259,542</u>	<u>-</u>	<u>260,543</u>
<b>Total liabilities and fund balances</b>	<u>-</u>	<u>1,001</u>	<u>267,515</u>	<u>-</u>	<u>268,516</u>

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2012

	SEEK Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Funds	Total
<b>Revenues:</b>					
From local sources:					
General real property tax	-	252,162	-	-	252,162
Intergovernmental - State	<u>216,277</u>	<u>511,652</u>	<u>-</u>	<u>196,884</u>	<u>924,813</u>
<b><u>Total revenues</u></b>	<u>216,277</u>	<u>763,814</u>	<u>-</u>	<u>196,884</u>	<u>1,176,975</u>
<b>Expenditures:</b>					
Professional and technical services	-	500	108,369	-	108,869
Debt service:					
Principal	-	-	-	764,475	764,475
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,510</u>	<u>346,510</u>
<b><u>Total expenditures</u></b>	<u>-</u>	<u>500</u>	<u>108,369</u>	<u>1,110,985</u>	<u>1,219,854</u>
<b>Excess (deficit) of revenues over expenditures</b>	<u>216,277</u>	<u>763,314</u>	<u>(108,369)</u>	<u>(914,101)</u>	<u>(42,879)</u>
Other financing sources (uses):					
Operating transfers in	-	-	280,606	914,101	1,194,707
Operating transfers out	<u>(399,154)</u>	<u>(763,314)</u>	<u>-</u>	<u>-</u>	<u>(1,162,468)</u>
<b><u>Total other financing sources (uses)</u></b>	<u>(399,154)</u>	<u>(763,314)</u>	<u>280,606</u>	<u>914,101</u>	<u>32,239</u>
<b>Excess (deficit) of revenues and other financing sources over expenditures and other financing uses</b>	(182,877)	-	172,237	-	(10,640)
Fund balance, July 1, 2011	<u>182,877</u>	<u>1,001</u>	<u>87,305</u>	<u>-</u>	<u>271,183</u>
Fund balance, June 30, 2012	<u><u>-</u></u>	<u><u>1,001</u></u>	<u><u>259,542</u></u>	<u><u>-</u></u>	<u><u>260,543</u></u>

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEPOWELL COUNTY HIGH SCHOOL ACTIVITY FUNDFor the Year Ended June 30, 2012

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2011</u>	<u>Fund Balance June 30, 2012</u>
General	12,235	8,518	3,717	6,233	9,950
Teacher Vending	1,985	1,014	971	257	1,228
Foundation Grants	-	500	(500)	1,643	1,143
Student Vending	2,049	2,020	29	31	60
AP English	-	-	-	50	50
Courtesy Committee	264	162	102	28	130
PTO	2,124	1,788	336	1,402	1,738
Art Class Fee	4,313	3,298	1,015	2,269	3,284
STLP	70	28	42	125	167
FMD Classroom	2,064	1,991	73	131	204
Humanities Trip	1,679	1,842	(163)	198	35
Science Grant	1,250	1,995	(745)	747	2
Student Testing	2,183	2,201	(18)	18	-
NYC	35,588	35,557	31	-	31
Graduation/Honors	4,100	3,743	357	903	1,260
Social Studies Grant	-	369	(369)	500	131
Key Club	981	511	470	-	470
The Depot	544	232	312	-	312
Advance KY	5,541	2,801	2,740	263	3,003
Prom Food	50	-	50	-	50
Upper Room	-	150	(150)	304	154
Academic Team	4,524	8,163	(3,639)	3,825	186
Student Parking	623	1,323	(700)	930	230
Library	232	118	114	158	272
Spanish	307	32	275	23	298
Entrepreneurship	10,211	11,281	(1,070)	3,186	2,116
Home Economics	324	559	(235)	283	48
Textbook Rental	18,772	13,878	4,894	698	5,592
Prom	7,134	8,952	(1,818)	3,377	1,559
Senior Class	4,639	2,463	2,176	884	3,060
Class of 2013	828	-	828	-	828
Class of 2014	498	360	138	47	185
Band	21,145	22,629	(1,484)	1,522	38
FBLA	6,531	5,635	896	450	1,346
Ecology Club	20,130	20,029	101	671	772
Youth Services Center	4,549	4,394	155	4,356	4,511
Snack Shack	13,413	13,597	(184)	527	343
Chorus	141	159	(18)	19	1
Class of 2015	632	124	508	-	508
Yearbook	14,597	11,369	3,228	9,149	12,377
Pirate Press	-	-	-	397	397
Paper Fund	1,600	1,107	493	16	509
Counselors	624	1,774	(1,150)	1,655	505
Class of 2012	24,738	25,140	(402)	402	-
Charitable	3,914	3,914	-	-	-

See independent auditor's report.



POWELL COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

POWELL COUNTY HIGH SCHOOL ACTIVITY FUND (CONTINUED)

For the Year Ended June 30, 2012

<u>Fund Accounts</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Excess (Deficit) of Revenues over Expenditures</u>	<u>Fund Balance July 1, 2011</u>	<u>Fund Balance June 30, 2011</u>
Locker Rental	2,283	1,478	805	1,281	2,086
Beta Club	1,793	1,883	(90)	332	242
Drama Club	1,082	1,032	50	801	851
FCA	-	-	-	890	890
FFA	9,039	9,934	(895)	1,339	444
FCCLA	3,870	4,882	(1,012)	3,481	2,469
French Club	17	17	-	-	-
Student Council	2,232	2,290	(58)	69	11
Hometown Scholarship	-	-	-	832	832
FEA Club	55	315	(260)	405	145
Sew What	281	359	(78)	1,761	1,683
Pep Club	774	764	10	621	631
TSA	130	130	-	-	-
Special Olympics	1,695	1,377	318	12	330
HOSA	7,506	8,982	(1,476)	1,480	4
Construction Class	4,688	4,691	(3)	50	47
HOSA Competition	2,706	2,732	(26)	34	8
Gen. Athletics	99,361	91,895	7,466	8,870	16,336
Baseball	12,682	13,944	(1,262)	2,576	1,314
Boys Basketball	29,637	23,928	5,709	3,856	9,565
Girls Basketball	11,910	14,225	(2,315)	2,506	191
Cheerleaders - Varsity	24,266	24,327	(61)	2,209	2,148
Concessions	22,451	22,455	(4)	541	537
Football	8,674	13,757	(5,083)	5,390	307
Boys Golf	3,272	3,292	(20)	92	72
Girls Golf	1,390	1,519	(129)	186	57
Softball	19,468	13,688	5,780	1,355	7,135
Track	1,200	709	491	927	1,418
Cross Country	2,776	2,627	149	827	976
Volleyball	12,891	15,435	(2,544)	3,519	975
4th and 5th Grade	1,702	3,225	(1,523)	3,298	1,775
Athletic Field Trip	-	-	-	1	1
Student Field Trips	903	1,025	(122)	365	243
Band Trip	6,606	6,607	(1)	7	6
Band Uniforms	3,589	3,739	(150)	150	-
Gen Athletics/Extras	75	-	75	211	286
<u>Sub-total</u>	<u>538,130</u>	<u>522,983</u>	<u>15,147</u>	<u>97,951</u>	<u>113,098</u>
Less: Interfund transfers	<u>46,385</u>	<u>46,385</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total</u>	<u><u>491,745</u></u>	<u><u>476,598</u></u>	<u><u>15,147</u></u>	<u><u>97,951</u></u>	<u><u>113,098</u></u>

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTCOMBINING STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCEMIDDLE AND ELEMENTARY SCHOOL ACTIVITY FUNDSFor the Year Ended June 30, 2012

	Powell County Middle School	Bowen Elementary	Clay City Elementary	Stanton Elementary	Total (Memorandum Only)
<u>REVENUES:</u>					
Activity funds	172,574	21,934	19,196	52,460	266,164
<u>EXPENDITURES:</u>					
Activity funds	<u>163,358</u>	<u>21,586</u>	<u>20,498</u>	<u>60,068</u>	<u>265,510</u>
Excess or (deficiency) of revenues over <u>expenditures</u>	9,216	348	(1,302)	(7,608)	654
Fund Balance, July 1, 2011	<u>52,066</u>	<u>16,518</u>	<u>21,176</u>	<u>36,389</u>	<u>126,149</u>
Fund Balance, June 30, 2012	<u><u>61,282</u></u>	<u><u>16,866</u></u>	<u><u>19,874</u></u>	<u><u>28,781</u></u>	<u><u>126,803</u></u>

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDSFor the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>2012 Program Expenditures</u>
<u>U. S. Department of Agriculture</u>				
Passed through State Department of Education:				
- Child Nutrition Cluster -				
School Breakfast Program	10.553	7760005 11	N/A	59,663
	10.553	7760005 12		198,814
				<u>258,477</u>
School Lunch Program	10.555	7750002 11	N/A	167,976
	10.555	7750002 12		560,067
				<u>728,043</u>
Summer Food Service Program for Children	10.559	7690024 11	N/A	929
	10.559	7690024 12		800
	10.559	7740023 11		8,877
	10.559	7740023 12		7,707
				<u>18,313</u>
Passed through State Department of Agriculture:				
National School Lunch Program	10.555	006 0100	N/A	<u>75,997</u>
<u>Total Child Nutrition Cluster</u>				<u>1,080,830</u>
Fresh Fruit and Vegetable Program	10.582	7720012 11	N/A	5,018
	10.582	7720012 12		19,744
				<u>24,762</u>
Passed through Powell County Fiscal Court				
Schools and Roads Grants To States	10.665	N/A	N/A	<u>22,205</u>
<u>Total U.S. Department of Agriculture</u>				<u>1,127,797</u>
<u>U. S. Department of Education</u>				
Passed through State Department of Education:				
Title 1 Grants to Local Education Agencies	84.010	3102	967,302	850,719
	84.010	3101	984,830	173,974
	84.010	3102M	11,625	11,397
	84.010	3101M	11,191	8
	84.010	3101D	111,910	23,798
	84.010	3102D	176,609	169,319
	84.010	3102T	6,975	6,975
	84.010	3101T	11,164	4,977
	84.010	3201	59,046	42,076
Title 1 Grants to Local Education Agencies - Recovery Act	84.389A	3919	841,735	11,274
				<u>1,294,517</u>

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Program Award Amount</u>	<u>2012 Program Expenditures</u>
<u>U. S. Department of Education (continued)</u>				
Migrant Education - State Grant Program	84.011	3112	129,600	113,900
	84.011	3111	138,450	20,780
				<u>134,680</u>
- Special Education Cluster -				
Special Education - Grants to States	84.027	3372	538,365	463,294
	84.027	3371	557,309	86,570
	84.027	3370P	4,788	4,788
				<u>554,652</u>
Basic ARRA	84.391	4249	576,943	16,676
Special Education - Preschool Grants	84.173	3432	31,293	31,293
Total Special Education Cluster				<u>602,621</u>
Vocational Education - Basic Grants to States	84.048	3482	37,835	37,835
	84.048	3480A	1,286	1,286
	84.048	3481A	1,781	1,781
				<u>40,902</u>
Education Technology - State Grants	84.318	4250	10,445	2,281
- ARRA	84.386	4850	29,125	3,120
	84.386	4851	67,824	1,596
				<u>6,997</u>
Title VI				
Rural Education	84.358	3502	52,320	19,776
	84.358	3501	68,012	15,339
				<u>35,115</u>
Improving Teacher Quality State Grants	84.367	4012	181,544	174,879
	84.367	4011	212,216	3,114
				<u>177,993</u>
Title II - Teaching American History	84.215X	5661	339,018	194,999
Education Jobs Fund	84.410	4411	632,891	360,271
<u>Total U.S. Department of Education</u>				<u>2,848,095</u>
<u>Total Federal Awards Expended</u>				<u>3,975,892</u>

See independent auditor's report.

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)For the Year Ended June 30, 2012**NOTE A**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Powell County School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

**NOTE B**

Non-monetary assistance CFDA #10.555, \$75,997, is reported in the schedule at the fair value of the food donations disbursed.

**Chris Gooch**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

State Committee for School District Audits  
Members of Powell County Board of Education  
Stanton, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Powell County School District as of and for the year ended June 30, 2012 which collectively comprise the Powell County School District's basic financial statements and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission.

Internal Control Over Financial Reporting

Management of Powell County School District, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Powell County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Powell County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Powell County School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Powell County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Powell County School District, in a separate letter dated October 5, 2012. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements except for the following: The District did not provide for fire and extended insurance coverage on each building owned as required per KRS 160.105 and 702 KAR 3:030 stipulating an amount equal to the estimated replacement cost per square foot. Upon acknowledgment, the District purchased insurance meeting this level.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of the Powell County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Chris Gooch".

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 5, 2012

**Chris Gooch**

Certified Public Accountant  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133

State Committee For School District Audits  
Members of Powell County Board of Education  
Stanton, Kentucky

**Compliance**

We have audited Powell County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Powell County School District's major federal programs for the year ended June 30, 2012. Powell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Powell County School District's management. Our responsibility is to express an opinion on Powell County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Completion and Electronic Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Powell County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Powell County School District's compliance with those requirements.

In our opinion, Powell County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.



### Internal Control Over Compliance

Management of Powell County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Powell County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Powell County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

This report is intended solely for the information and use of the Kentucky State Committee for School District Audits, the members of the Board of Education of the Powell County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 5, 2012

POWELL COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2012

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS –

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –

None

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTSFor the Year Ended June 30, 2012- SUMMARY OF AUDIT RESULTS –

1. We have issued an unqualified opinion on the financial statements.
2. No material weakness or significant deficiency not identified as a material weakness were disclosed by the audit of the financial statements.
3. No material noncompliance was disclosed in our audit of the financial statements.
4. No material weakness or significant deficiency not identified as a material weakness were disclosed by the audit in internal control over major programs.
5. We have issued an unqualified opinion on compliance for major programs.
6. The audit did not disclose any audit findings which we are required to report under Section .510(a) of A-133.
7. Powell County School District had the following major programs:

## U. S. Department of Education

- Passed through State Department of Education -

## Title I

CFDA number 84.010

## Title I Grants to Local Agencies – Recovery Act

CFDA number 84.389A

- Special Education Cluster -

## IDEA-B Basic

CFDA numbers 84.027 &amp; 84.391

## IDEA-B Preschool

CFDA number 84.173

- Education Jobs Fund -

CFDA number 84.410

## U.S. Department of Agriculture

- Passed through State Departments of Education and Agriculture -

## - Child Nutrition Cluster -

School Lunch and Breakfast Program, Summer Food Service

Program for Children

CFDA numbers 10.553, 10.555 &amp; 10.559

8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The auditee qualified as a low-risk auditee.

POWELL COUNTY SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)For the Year Ended June 30, 2012

- FINDINGS RELATED TO THE FINANCIAL STATEMENTS –

None

- FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS –

None

**Chris Gooch**

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Powell County Board of Education  
Stanton, Kentucky

In planning and performing our audit of the financial statements of Powell County School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operation efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. A separate report dated October 5, 2012, contains our report on control deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 5, 2012, on the financial statements of the Powell County School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Chris Gooch', with a stylized, cursive script.

Chris Gooch  
Certified Public Accountant

Hazard, Kentucky

October 5, 2012

POWELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

For the Year Ended June 30, 2012

**Follow-up on Prior Year Comments**

1. The District should ensure I-9 and W-4 forms are on file and complete for all applicable employees of the District. We noted four I-9 or W-4 forms missing or incomplete during our current year audit. Management will continue to enhance its monitoring procedures to account for applicable forms.
2. We noted a Powell County Middle School activity fund payment to Hillside Maintenance Supply Company for \$3,140, #17850 without sufficient explanation determining the validity of its disbursement in this fund rather than through the school's site-based allocation funding. The disbursement was a result of a local grant awarded to the Middle School. We noted no transactions of this nature in our current year audit.
3. In our General Fund testing of disbursements we noted three transactions without adequate authorizing signatures either on vendor receipts or purchase orders. Management should ensure authorizing documentation is noted before a check is disbursed. We noted no instances of this nature in our current year audit.

**Current Year Comments**

1. No listing was maintained authenticating recipients for Powell County High School Activity Fund disbursement purchases from Wal-Mart for graduating seniors. Management will enhance procedures to ensure future disbursements of this nature include authenticating documentation.
2. No fundraising report, Stanton Elementary Activity Fund, was noted regarding a check made payable to Adept Engraving. Management will enhance procedures regarding required fundraising reporting.
3. When testing disbursements, we noted seven instances for which the purchase order was dated subsequent to the invoice date or the date services were performed. Management will enhance purchasing procedures to ensure purchase orders are prepared prior to the date of invoice or the date services were performed.
4. When testing disbursements, we noted reimbursement for multi-month travel for three personnel of the District. Management will enhance its procedures to ensure consistency in reviewing, approving and reimbursing personnel travel expense.